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Proposed budget cuts carve into Medicaid

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Proposed Medicaid cuts could mean a \$145 million loss to East Texas counties and profound problems for patients and providers, legislators, lobbyists and health care providers say.

Medicaid funding for Smith County residents would drop to \$109 million from \$145.7 million, according to the Texas Health and Human Services Commission assessment of aggregate proposed budget cuts for 2012-13.

The nine East Texas counties that would see the total \$145 million loss to providers include Wood, Cherokee, Henderson, Rusk, Henderson, Van Zandt and Gregg.

Those affected under a Texas House bill would be health care providers such as hospitals, dentists and nursing homes that accept Medicaid funding.

They provide care to children, the handicapped, disabled and elderly.

Conservatives say shifting funding from non-essential programs will solve the problem without tax or fee increases. Liberals want to ensure funding for at-risk and low-income populations statewide without affecting worthy educational and social programs.

The Texas Legislature is addressing a \$23 billion state budget shortfall, which includes about \$8 billion less for public schools and \$4 billion less for Medicaid entitlements.

"Entitlement" means the federal government does not, and the state cannot, limit the number of eligible individuals who can enroll in the program, according to the Texas Department of Aging and Disability Services. Each individual who meets eligibility requirements must be served, and Medicaid must pay for any service included in the state Medicaid plan.

Long-term services and support Medicaid entitlements in the Texas plan include both institutional and community-based services such as nursing facilities, state-supported living centers and in-home, community or facility-based hospice.

The facility must provide for the total medical, nursing and psychosocial needs of each resident, including, medical supplies and equipment, over-the-counter drugs and room and board.

Other programs, such as the Children's Health Insurance Program, fund doctor visits and dental care for uninsured children.

One in six Texans are on Medicaid. More than 3.5 million are enrolled while another 533,000 children are in the children's insurance program. Medicaid provides some form of service to 70 percent of Texans in nursing homes and prenatal care and delivery for 55 percent of babies born in the state.

Tim Graves, president and CEO of the Texas Health Care Association, a lobbying group for nursing home providers, said Medicaid has been underfunded for more than a decade and that further cuts would be a "disaster." Senate "targets" for Medicaid funding are much better, Graves said, but they still include payment reductions.

House Bill 1 is "not where this is going to end up, but it has everybody extremely nervous and working hard to find a better solution," he said.

Anne Dunkelberg, the Center for Public Policy Priorities' associate director, said proposed cuts would severely underfund programs serving at-risk child and elderly Medicaid recipients. Nursing

homes, attendant care, dental services for children and hospitals are among the services slated for reductions.

She said reducing funding to providers will decrease the number of providers accepting Medicaid patients and cause others to close.

More than 500 nursing homes statewide depend heavily on Medicaid dollars from the state. Ms. Dunkelberg said 10 percent reductions could force many rural nursing homes and attendant care providers to close their doors.

"Some doctors and dentists will stop taking Medicaid if they take a 10 percent rate cut, but there is no scientific way for us to predict what that will look like," she said. "It's a matter of saying it's tough and it's going to get tougher."

Closed doors mean service and job loss. The Legislative Budget Board's impact note on HB1 projects more than 272,000 jobs would be lost statewide by 2012 and 335,000 jobs by 2013.

There is equal concern among hospitals.

John Moore, Trinity Mother Frances' public information officer, said hospital officials are closely monitoring proposed changes. Moore said legislators are approaching the problem without firm data regarding the impact and possible unintended consequences of legislative proposals.

"The issues facing hospitals right now with HB1 are enormous," he said. "The numerous changes being recommended through a variety of payment processes are being put forth without any modeling being provided by the Legislature that is hospital specific."

Moore said the hospital is working "daily" with senators who are "open," "eager" and "concerned" about possible changes. Trinity Mother Frances recommends the Health and Human Services Commission to run hospital-specific reports. Reports could show that cuts would put services at-risk and escalate health care costs for all.

Sen. Bob Deuell, R-Greenville, who is a physician, and serves on the Finance Committee and as Vice Chairman of the Health and Human Services Committee, is concerned.

"The House bill goes too far," he said.

Medicaid pay already is low, he said. A 10 percent cut is too much and could result in dire consequences for providers and patients alike, he said. Deuell said House members are beginning to understand how cuts could cost the state more in the long run.

"If we cut nursing home funding, those people will be sicker and they will go to hospitals," he said. "If we cut mental health-mental retardation funding those people don't go away, they go to jail. So we have to be smart about the cuts we make."

The Senate bill adds roughly \$10 billion to the House bill. Most of the additional funding goes to public education and Medicaid. Deuell said 3 percent cuts rather than the 10 percent "across the board" cuts to Medicaid have been recommended.

The Senate version of the bill is expected to reach the floor after Easter.

Talmadge Heflin, the Texas Public Policy Foundation's Fiscal Policy director, said most House members, including its speaker and Appropriations Committee chairman, consider the bill a "starting point."

Heflin said groups such as the center "play to the maximum emotion and paint the worst case scenario" when it comes to the budget and proposed spending cuts.

The real work will be done in conference committee, where members from both houses must sift through core programs and frills then prioritize, Heflin said.

"Some of the cuts, nearly \$1 billion that we had amendments for, would move money from other places into the restoration of Medicaid because we understand some provider rates were cut too deep," he said. "There will be restorations made so that certain industries in health care are not decimated."

The foundation has recommended legislators shift dollars used to fund the film commission and parkland acquisitions to Medicaid.

An amendment in HB1 by Rep. David Simpson, R-Longview, defunded the Texas arts commission by shifting \$3.5 million to senior care. Simpson said he believes the Senate will rescind his funding shift, but funding for the poor and most vulnerable must come from somewhere and can be achieved without fee or tax increases.

His failed in attempts to go after a \$400 million "subsidies" fund, the Texas Enterprise Fund and Emerging Technology Fund, which Gov. Rick Perry championed.

Other local and state representatives, including Rep. Leo Berman and Rep. Chuck Hopson, have stated their concerns regarding the cuts and agreed the bill was a starting point. Berman has said "the state will not close nursing homes."

"That's something that just doesn't happen," he said.

Hopson said it is likely that more revenue streams will be considered and that more rainy-day fund dollars likely will be used to shore up health and human services. The money has to come from somewhere to close the gap, they said.

Heflin said Medicaid represents "a hardcore entitlement" protected by the federal government. State costs will increase as the number of qualifying recipients continues upward, he said.

Medicaid expenditures are expected to increase up to \$10 billion for the next biennium in 2013-14, Heflin said. Taking more money from the rainy-day fund only will reduce the amount legislators will have to address entitlements then, he said.

Another immediate concern for Ms. Dunkelberg is whether legislators will provide enough funding to pay health care providers for all the people who qualify over the next two years.

Deuell said senators have proposed Medicaid reform bills to add program efficiencies because cuts are necessary. The senator noted that Texas ranks 45th among states for the lowest tax rate and ranks as low or lower in per-capita spending. He said he isn't looking to be 44th, but "we have needs" even beyond health care, including infrastructure, water and education.

"This isn't government excess or overspending or earmarks, fluff or bridges-to-nowhere," he said. "We're talking about community-based services for disabled people, medication and visits for mentally disabled people. We're talking about taking care of people in nursing homes in an adequate way."

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